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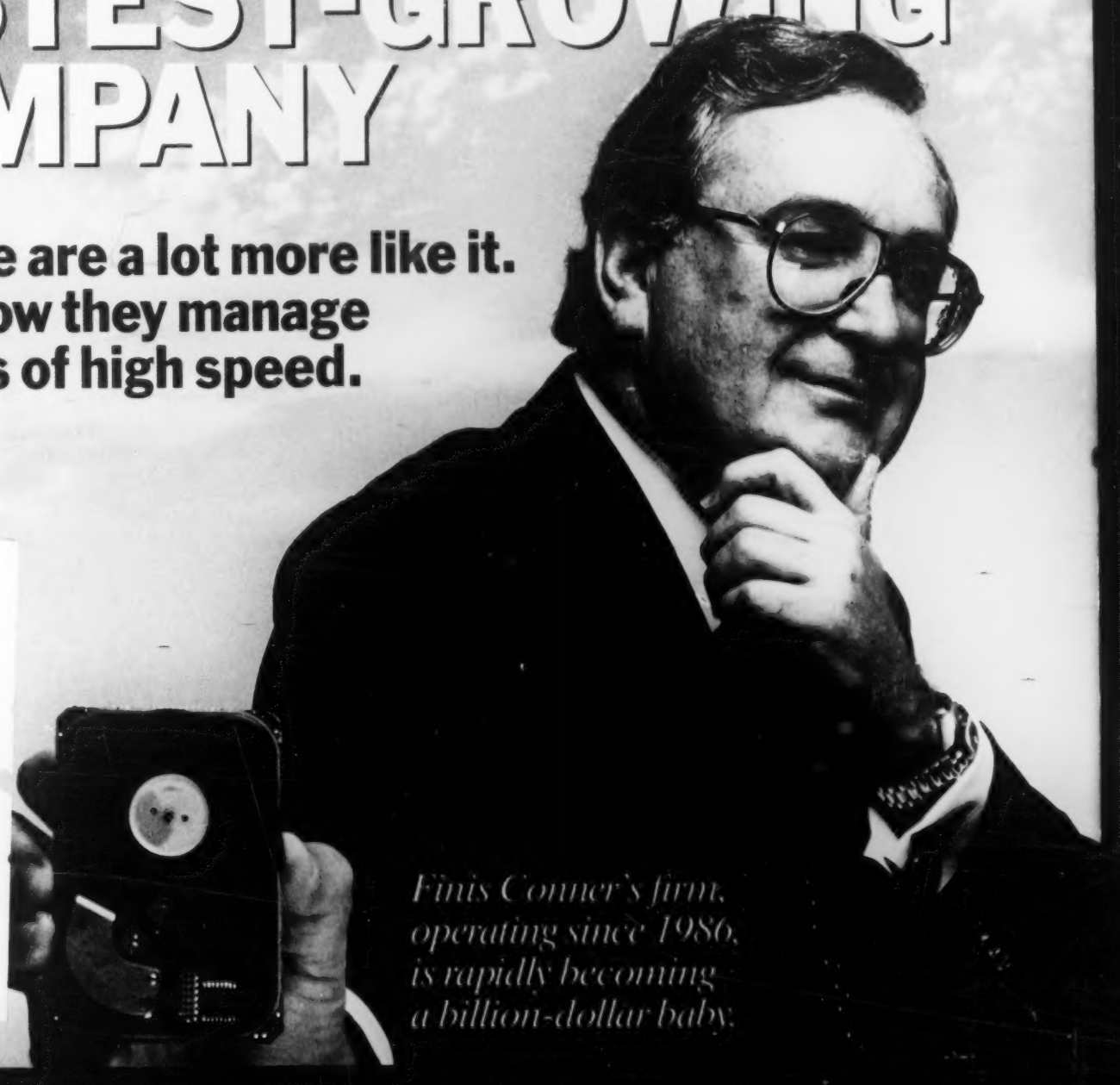
FORTUNE

AMERICA'S FASTEST-GROWING COMPANY

And there are a lot more like it. Here's how they manage the perils of high speed.



Finis Conner's firm, operating since 1986, is rapidly becoming a billion-dollar baby.

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FORTUNE

ABOVE: R. Ian Lloyd shot a "clean room" at Conner Peripherals Singapore.

COVER: CEO Finis Conner with a hard disk drive. Photo by David Strick (Onyx).

"At Conner we live dog-years. We have to do in six months what other companies do in years."

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Disk drive maker Conner Peripherals keeps rivals at bay with shrewd marketing and nonstop innovation. *by Andrew Kupfer*

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Rapidly expanding businesses must cross three hurdles. *by William E. Sheeline*

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Today's crushed soda bottles may turn into tomorrow's sleek surfboards, as a plucky new industry begins to transform the nation's trash. Your garbage could be next. *by Peter Nulty*

"The likelihood of a near-term recession seems low."

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"Everybody is afraid of the new, very aggressive policy of the Coca-Cola Co."

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"I said to the bankers, 'Listen, fellows, if I have a problem, then you have a problem.' "

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"I looked at owning the A's as a way to go to the ballpark every day and not be considered a bum."

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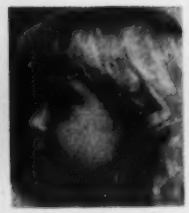

"We want to make it really hard for our daughters to give their kids a better childhood than they will have had."

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"People don't know if you're really going to prison, so they don't like to make long-term plans."

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The Japanese company best known for its stereos and car radios spent 13 years cultivating an obscure and frustrating technology—laser video players—before reaping a payoff. The wait was worth it. Just ask Madonna. *by Brian O'Reilly*

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Getting ahead is harder than it used to be, but Americans are persevering. The majority have more money and more choices than ever. In this composite, FORTUNE traces a wide-ranging map of the trends. Eight representative families and individuals show how this new, bigger, more diverse middle class is fulfilling its aspirations and weathering its tribulations. *by Louis S. Richman*

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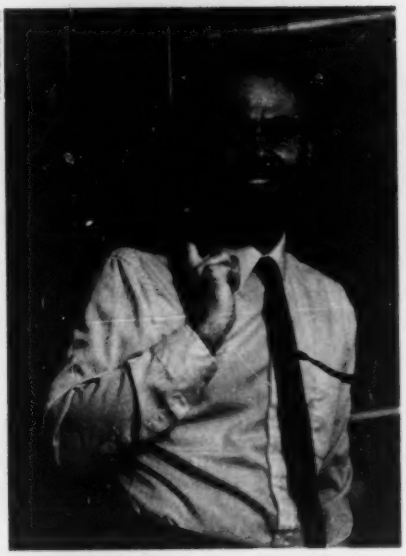


NINA BARNETT (2)

Andrew Kupfer: appraising fast growth

WELCOME to our summer smorgasbord of stories, a notably varied and typically rewarding issue of FORTUNE. If you want to know how America's fastest-growing big company does it, how Donald Trump is really faring, how a noted business family has used innovative management to turn a major league baseball team into a box office winner, and why the U.S. middle class may be better off than you think—read on.

We start with a revealing cover story on the country's hottest growth company—Conner Peripherals, which stands to sell more than a billion dollars' worth of computer disk drives this year—and its temperamental, up-from-the-ground-floor founder, Finis Conner. Writer Andrew Kupfer went through the company from top to bottom and discovered Conner's keys to creating such rapid success (see page 48). In an accompanying story, reporter William Sheeline identifies the fastest-expanding companies in the FORTUNE 500 lists.

Our tour guide through the overleveraged empire of Donald Trump is writer Stratford Sherman, who appraises Trump as "a wilder mix of brilliance and flat-footedness" than most people imagine. But while the erstwhile billionaire's bankers have wised up about what they euphemistically call their "undersecured" loans, Sherman finds the prognosis for "the Donald" relatively promising (see page 75).

Coca-Cola's aggressive new approach to selling in Europe may hold lessons for any business person interested in globalism (see page 68). Writer Patricia Sellers traveled all over the Continent and was everywhere amazed by the entrepreneurial spirit of Coke's distributors. Says Sellers, who has covered the company for six years: "I already was aware of how Coke's marketers had created the best-known product in the world, but I didn't realize how unrelenting its people are in selling right there in the grocery store, especially in new markets like East Germany."

Selling is also a specialty of Walter A. Haas Jr., patriarch of the family that controls Levi Strauss and, since 1980, the increasingly proud owner of the Oakland Athletics. Writer Brent Schlender, our multi-award-winning computer industry expert, sallied to Oakland to learn how Haas and crew have cured the sickest club in baseball. Attendance for 1990 could hit three million, ten times what it was in 1979. On page 93 you'll read about Haas's innovative marketing tools: the Clean Team, Crayola Corner, and something called Dot Racing.

Patricia Sellers: examining Coke's strategy

Marshall Loeb
MANAGING EDITOR

FORTUNE (ISSN 0015-8259). Published biweekly, with three issues in October, by The Time Inc. Magazine Company. Principal office: Time & Life Building, Rockefeller Center, New York, NY 10020-1393. Reginald K. Brack Jr., President; Joseph A. Ripp, Treasurer; Harry M. Johnston, Secretary. Subscriptions: U.S., possessions: one year (27 issues) $49.95; Canada: one year (27 issues) $54.00. Second-class postage paid at New York, NY, and at additional mailing offices. Authorized as second-class mail by the Post Office Dept., Ottawa, Canada, and for payment of postage in cash. Member, Audit Bureau of Circulations. POSTMASTER: Send address changes to FORTUNE, P.O. Box 30604, Tampa, Fla. 33630-0604. Customer inquiries: FORTUNE, P.O. Box 60001, Tampa, Fla. 33660-0001. Phone: 1-800-621-8000. © 1990 The Time Inc. Magazine Company. All rights reserved. FORTUNE is a registered mark of The Time Inc. Magazine Company. **For subscription queries, call Customer Service at 1-800-621-8000.**

coddled, consumers pay inflated prices—and free international trade is at risk.

The Bush Administration is pushing hard to end such price supports, but won't act unilaterally. Japan may be mellowing on protection for its rice farmers, but the Europeans seem intransigent. Reaching some kind of settlement on agriculture is on top of the agenda for representatives of the 97 member countries of the General Agreement on Tariffs and Trade who are meeting in Geneva. Says U.S. Trade Representative Carla Hills: "This is the broadest, most complicated, most difficult treaty in the history of GATT."

Failing agreement on agriculture, some GATT members are likely to continue making it tough for industries that eye the whole world as a market. Likely victims: pharmaceutical companies, banks, and makers of software. **– Lee Smith**

EXXON: 'SO LONG, NEW YORK'

■ What will the world's biggest oil company take with it in the August move of its corporate headquarters from New York City to Dallas? Answer (in part): 1,637 chairs, 331 desks, 651 file cabinets, 56 sofas, 66 credenzas—and 200 of its 300 headquarters employees.

Exxon pulled out all the stops when it came to wooing everybody from executives on down, including administrative assistant Rhoda Green (see photo). In addition to providing such usual things as house-hunting trips and career counseling for spouses, the company hired the **Relocation Center** of Irving, Texas, a firm that helps corporations settle in the Dallas–Fort Worth area. Other clients: subsidiaries of **GTE, Occidental Petroleum,** and **PepsiCo**. Exxon is moving into temporary headquarters until a new building—price undisclosed—is finished in 1993.

Relocation Center guides accompanied skeptical Exxon employees during three-day orientation trips and extolled such Texan virtues as good Mexican restaurants and cowboy boots. In a slide show to employees, they flashed the October 23, 1989, issue of FORTUNE that declared Dallas and Fort Worth to be the best area for business in the U.S. For the cultural-minded, the guides set up a private tour of the Dallas Museum of Art. Says Relocation Center President Larry Powers: "The museum, with its Edouard Manet and Jackson Pollock paintings, made a big impression on the Exxon employees. Many had previously viewed this region as a vast cultural wasteland." **– M.A.**

MARK PRESTON

Rhoda Green liked Dallas and will move.

TOP VACATION PASTIMES

MARIA G. KEEHAN

ACTIVITY	POPULARITY SCORES
Swimming	39%
Sunbathing	19%
Fishing	10%
Camping	8%
Hiking	8%
Aerobics, jogging	6%
Bird watching	6%
Miniature golf	5%
Bicycling	4%
Powerboating	3%
Golf	3%

■ Bird watching twice as popular as golf? That's what 18,400 Americans told **Longwoods International**, a Toronto research firm, when asked how they unwind while on vacation. See above for how other pastimes rank.

SHORT PEOPLE GET THE LAST LAUGH

■ After studying diverse groups—baseball players, U.S. Presidents, and cadavers at the Cuyahoga County morgue in Cleveland—Dennis Miller, an economics professor at Baldwin-Wallace College in Ohio, finds that the shorter you are the longer you'll live.

Let's talk baseball. Miller says that 6-foot players tended to die at 73, whereas those standing 5 foot 8 lived to 82. Some 5-foot-8-ers did even better: Bobby Wallace, a Hall of Famer who played from 1894 to 1918, mostly for the St. Louis Browns, made it to 87. Some 6-footers fell short of the lifetime average. Yankee slugger Babe Ruth (60 home runs in one season) was 6 feet 2 inches tall and died at 53. Roger Maris (61 home runs for the Yankees in a longer season and 6 feet tall) died at 51.

Miller doesn't pretend to know why shorter means longer but is "groping for hypotheses," he says. Example: Taller people require more calories, which stimulates hormone production, which in turn may trigger growth of cancer cells.

This actuarial theory seems to be news to the life insurance industry. Says Uwe Aldag, a researcher at the American Council of Life Insurance, a trade group: "I've never heard of any data that correlates height and life expectancy."

So what does all this mean to Miller the economist? Maybe tall people pay too much in Social Security taxes and other pension funds, considering what they'll ultimately collect. Short people get a better deal.

Miller, incidentally, is 40 and 5 foot 9. By his calculation, he'll live to 81. **– Joseph Spiers**

NOW HEAR THIS

■ **NEIL BUSH,** 35, the President's son, on the possibility of having to defend himself against government conflict-of-interest charges involving his directorship of Silverado, a bankrupt S&L:
"It's an awesome thought to have to face the federal government. It's like a high school football team playing the Broncos."

■ **ROBERT POLLARD,** 50, nuclear safety engineer with the Union of Concerned Scientists, on the new generation of nuclear reactors:
"There's no question that it's possible to design reactors that are safer. It's also possible to design a reactor that is economically competitive. I'm not yet convinced you can do both."

■ **BRENT SCOWCROFT,** 65, National Security Adviser, answering a reporter:
"That's a good question, and let me state the problem more clearly without going too deeply into the answer."

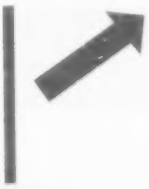
AVOIDING GROWTH'S PERILS

Rapidly expanding businesses must cross three hurdles. And sometimes it pays to slow down. ■ *by William E. Sheeline*

THE REAL CHALLENGES of rapid growth come when a company hits its first rough stretch of highway. The fast lane is paved with the wreckage of businesses that failed to spot hazards in time. Every company that appears on the list below got there by expanding at extraordinary rates—and dodging potholes—over the past five years. The list excludes spinoffs from established companies, businesses whose growth was largely the result of a single acquisition, and those like Conner Peripherals with fewer than five years of operating history.

Top-ranked Sun Microsystems, like a handful of other companies that appear, won its place by staking out a claim in that realm of perpetual growth, electronics. Others, like Mark IV Industries, are manufacturing miniconglomerates that built themselves up with numerous acquisitions. Still others, like Anacomp, a microfilm producer, and Costco Wholesale, a warehouse club chain, uncovered big opportunities in market niches.

Sun Microsystems' joy ride was interrupted last year when it hit a $20 million quarterly loss, the first deficit in more than five years. With its hugely successful line of computer workstations for engineers, the eight-year-old high-tech *Wunderkind* has grown at a bugs-on-



25 OF AMERICA'S FASTEST-GROWING COMPANIES

COMPANY* HEADQUARTERS	PRINCIPAL BUSINESS	SALES in millions of dollars 1984	SALES in millions of dollars 1989	GROWTH RATE annual avg. 1984-89
SUN MICROSYSTEMS Mountain View, Calif.	Computers	$39	$1,769	114%
COSTCO WHOLESALE Kirkland, Wash.	Warehouse clubs	$102	$3,000	97%
REEBOK INTERNATIONAL Stoughton, Mass.	Shoes	$66	$1,835	94%
MARK IV INDUSTRIES Amherst, N.Y.	Automobile power trains and audio products	$35	$742	84%
JWP Purchase, N.Y.	Information and building-management systems	$90	$1,742	81%
SUDBURY Cleveland	Castings and other auto parts	$50	$627	66%
COMPUTER ASSOCIATES Garden City, N.Y.	Computer software	$85	$1,030	65%
ITEL Chicago	Electrical and communications wiring	$195	$2,121	61%
HARVARD INDUSTRIES Farmingdale, N.J.	Rearview mirrors and other auto parts	$72	$758	60%
WESTERN DIGITAL Irvine, Calif.	Semiconductors	$113	$994	54%
COMPAQ COMPUTER Houston	Computers	$329	$2,876	54%
DANAHER Washington, D.C.	Hand tools	$91	$756	53%
TELE-COMMUNICATIONS Denver	Cable TV systems and programming	$449	$3,026	46%
LSI LOGIC Milpitas, Calif.	Semiconductors	$84	$547	45%
HOME DEPOT Atlanta	Building supply stores	$433	$2,772	45%
ALLEGHANY New York City	Title insurance	$195	$1,074	41%
INTERFACE LaGrange, Ga.	Carpet tiles	$107	$582	40%
ANACOMP Indianapolis	Microfilm and microfilm equipment	$132	$710	40%
J.B. HUNT TRANSPORT Lowell, Ark.	Trucking	$98	$509	39%
BANNER INDUSTRIES Beachwood, Ohio	Aviation fasteners and other aerospace parts	$113	$579	39%
PROGRESSIVE Mayfield Heights, Ohio	Property-casualty insurance	$282	$1,393	38%
MAYTAG Newton, Iowa	Home appliances	$643	$3,089	37%
BASF Parsippany, N.J.	Chemicals	$1,185	$5,422	36%
MORGAN STANLEY GROUP New York City	Investment banking	$1,340	$5,831	34%
PRICE San Diego	Warehouse clubs	$1,164	$5,033	34%

*List excludes spinoffs from established companies and companies that owe their growth to a single acquisition.

the-windshield annual clip of 114%. But a spate of problems appeared last year when Sun introduced a new series of products. Component shortages delayed delivery of the machines; a senior executive quit, citing differences over strategy; and a newly installed management information system malfunctioned, throwing Sun's accounting into disarray.

In growth-speak, Sun was suffering "product transition syndrome," an ailment that afflicts many young organizations as they try to broaden their scope. Chief Executive Scott McNealy responded by imposing cost controls and streamlining Sun's organization, which had proliferated willy-nilly. The remedy worked: According to analysts' estimates, Sun finished its 1990 fiscal year in June with sales up 39% to $2.4 billion, and profits up 89% to $115 million.

William Sommers, a consultant with the Booz Allen firm, recently studied 35 high-growth technology companies and found that almost all had weathered at least one severe change of fortune. In Sommers's analysis, the typical growth company encounters three hurdles. It must manage its own rapid expansion; defend against competitors trying to horn in on its success; and grow beyond its initial product or market. "We couldn't find any companies that successfully addressed all three challenges simultaneously," he says. "If your strategic plan says to do all three, forget it. Back off, and concentrate on one or two of them." Other admonitions for managers coping with fast growth:

■ **Stick to your knitting.** For years Progressive, a property and casualty insurer, has expanded and earned above-average profits by writing policies for drivers other companies won't touch. Progressive succeeds with the help of a database it has developed on the personalities, lifestyles and driving habits of high-risk groups. By differentiating between, say, bartenders and rock musicians, the company can price policies to match the underwriting risk. But Progressive ran into trouble in 1988 after a plunge into trucking and transportation insurance. "We thought we were better than we really were," says CEO Peter B. Lewis, 56. "We jumped into a new market and put on too much business too fast—our organization and support systems couldn't handle it."

By contrast, the list's miniconglomerates seem to thrive by acquiring companies and moving into new fields. Mark IV Industries' 32 divisions manufacture a huge array of products, from child-resistant pill bottles to smoke detectors. But the company has a unifying principle. As the founder and chairman, Sal Alfiero, 52, explains, the idea is to embrace diversity, yet avoid reckless diversification: "We're a manufacturing company, and we would not stray from that."

■ **Beware of overleveraging.** In the 1980s companies looking to grow by acquisition often fortified themselves with junk bonds. Today those financial steroids are no longer in ready supply, and it's tougher to turn around and sell the assets of acquired companies. "You have to avoid operating in the 1990s with a 1980s mentality," says Alfiero. Last year Sudbury, another miniconglomerate with 24 units making metal, plastic, and rubber products, realized that it had taken on too much debt. Rising steel prices forced up its costs, and heavy interest expenses pushed it into the red. Now Sudbury is selling assets, its growth days apparently over.

Sun Microsystems' new automated warehouse in Milpitas, California

■ **Communicate company values.** Hiring employees by the thousand and inculcating them with the corporate mission is a huge challenge. At Progressive, which doubled its work force with 2,600 new hires in 1986 and 1987, a training program drums in watchwords like integrity, aspiration, excellence, respect for all people, and profit. Says Chairman Lewis: "We make a constant effort to reward people who understand our values and objectives, and to cull those who do not." He really means it: Turnover in Progressive's work force in 1987 was 21%.

Morgan Stanley conveys its values by osmosis. The investment bank went public in 1986 and has doubled its number of employees, to 6,800, but management works hard to maintain what analyst Perrin Long of Lipper Analytical calls "the culture of a partnership." Individual executives have broad latitude to make decisions, quick access to senior managers, and, typically, a personal stake in the business, which is nearly 60% employee owned. Such qualities have helped Morgan Stanley to multiply its profits sevenfold in the past five years, and to avoid gambits such as high-risk bridge loans that are now haunting other Wall Street firms.

■ **When possible, pause.** Prudence sometimes dictates easing back on the corporate throttle to give employees and internal systems time to adjust. "When you're growing very fast, you can't afford to outdistance your management," says Jim Sinegal, CEO of Costco Wholesale. His Seattle-based chain of warehouse clubs went public with 20 stores in 1985 and now has 62. Three years ago investors urged the company to expand into the Northeast, but Sinegal refused. "We didn't have the people to do it," he says. Recently the company set up a senior manager and staff in Boston, and is now ready to open some New England stores.

At Progressive, periodic slowdowns are built into the strategy. "Our growth follows a step pattern," says CEO Lewis. "We will grow faster than our targeted rates for a while, then we will slow down or stop. Right now we're on the top part of the step. That's the time you identify honestly what you screwed up, and you fix it."

Not every growth company can afford the luxury of a pause: Booming markets often don't allow it. For Sun, a workstation order passed up may mean a customer permanently lost to Hewlett-Packard or IBM. So when problems arise, they must be fixed on the fly. That led to harrowing weeks last year during which McNealy and his colleagues worked virtually around the clock. Still, the 35-year-old chief executive notes philosophically, "My worst day growing is better than my best day not growing." ■